



**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION  
500 WEST TEMPLE STREET, ROOM 525  
LOS ANGELES, CALIFORNIA 90012-2766  
PHONE: (213) 974-8301 FAX: (213) 626-5427



J. TYLER McCAULEY  
AUDITOR-CONTROLLER

April 12, 2001

TO: Supervisor Michael D. Antonovich, Mayor  
Supervisor Gloria Molina  
Supervisor Yvonne Brathwaite Burke  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe

FROM: J. Tyler McCauley   
Auditor-Controller

SUBJECT: **1999-2000 DEPARTMENT OF CHILDREN AND FAMILY SERVICES  
CALIFORNIA DEPARTMENT OF EDUCATION CHILD CARE GRANT AUDIT**

The Department of Children and Family Services (DCFS) requested the annual audit of their Child Care Grant agreement with the State of California Department of Education (CDE). Simpson & Simpson, CPA's, conducted the audit under our Master Agreement Program for as-needed contract audits/studies.

The County of Los Angeles uses CDE funds in the Children's Protective Services Program (CPSP), which provides child care services to children who are subject to abuse, neglect or exploitation. Simpson & Simpson verified that DCFS maintained accounting and management systems and related internal controls to ensure that CPSP funds were controlled and expended in compliance with applicable federal and State laws, regulations, and contract provisions. A copy of that report is enclosed.

If you have any questions, please contact me.

JTM:MR:tv

Enclosure

c: David E. Janssen, Chief Administrative Officer  
Public Information Office  
Audit Committee  
Executive Officer, Board of Supervisors  
**Department of Children and Family Services**  
Anita Bock, Director  
Barry Chass, Assistant Division Chief  
Genevra Gilden, Chief, Quality Assurance Division  
**Department of Public Social Services**  
Steven Golightly, Interim Director  
Gail Dershewitz, Director, Management Information and Evaluation Section

***AUDIT REPORT ON***  
***COUNTY OF LOS ANGELES***  
***DEPARTMENT OF CHILDREN AND FAMILY SERVICES***  
***REPORTED CHILD CARE EXPENDITURES***  
***JUNE 30, 2000***

---

*Simpson & Simpson*

***COUNTY OF LOS ANGELES***  
***DEPARTMENT OF CHILDREN AND FAMILY SERVICES***

**TABLE OF CONTENTS**

	<u>Page</u>
General Information	3
Independent Auditor's Report	4
Statement of Claim for Project No. 19-Y196-00-03186-9	6
Audited Final Reimbursement Calculation for Project No. 19-Y196-00-03186-9	7
Statement of Claim for Project No. 19-Y196-00-03694-9	9
Audited Final Reimbursement Calculation for Project No. 19-Y196-00-03694-9	10
Notes to Statements	12
Independent Auditor's Report on Internal Control Structure	16
Independent Auditor's Report on Compliance With Laws and Regulations	18

**COUNTY OF LOS ANGELES  
DEPARTMENT OF CHILDREN AND FAMILY SERVICES  
STATE DEPARTMENT OF EDUCATION CHILD CARE GRANT AUDIT**

**GENERAL INFORMATION**

**Full Official Name of Agency**

Los Angeles County Department of Children and Family Services

**Project Numbers**

19-Y196-00-03186-9 (GAPP 9031)

19-Y196-00-03694-9 (FAPP 9029)

**Type of Agency**

County Welfare Department

**Address of Agency**

425 Shatto Place

Los Angeles, CA 90020

**Name and Address of Chief Executive Officer**

Anita Bock, Director

425 Shatto Place

Los Angeles, CA 90020

(213) 351-5600

**Name and Address of Accountant**

Barry Chass, Interim Finance Officer

425 Shatto Place

Los Angeles, CA 90020

(213) 351-5562

**Period Covered by the Examination**

July 1, 1999 to June 30, 2000 (19-Y196-00-03186-9)

July 1, 1999 to June 30, 2000 (19-Y196-00-03694-9)

**Number of Days of Operation of Agency**

250

**Scheduled Hours of Operation Each Day**

Opening Time: 8:00 a.m.

Closing Time: 5:00 p.m.

Hours Open: 9

**INDEPENDENT AUDITOR'S REPORT**

Ms. Anita Bock, Director  
Department of Children and Family Services  
425 Shatto Place  
Los Angeles, CA 90020

We have audited the accompanying Statement of Claims and Final Reimbursement Calculation of the County of Los Angeles Department of Children and Family Services (DCFS), Contract Numbers GAPP 9031 and FAPP 9029 as of and for the year ended June 30, 2000. These statements are the responsibility of DCFS' management. Our responsibility is to express an opinion on these statements based on our audits. We did not audit the Statement of Claims and Final Reimbursement Calculation of DCFS' subreipients, which represent 47% of the expenditures of Contract Number FAPP 9029. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Contract Number FAPP 9029, is based solely on the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards, and procedures set forth in the "Audit Guide for Auditors of Child Development Programs Administered by County Welfare Departments," issued by the California Department of Education (CDE). Those standards require that we plan and perform the audit to obtain a reasonable assurance about whether the statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements. An audit also includes assessing the accounting principles used and significant estimates made by DCFS' management, as well as evaluating the overall schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these statements were prepared in conformity with the accounting practices prescribed by CDE, which is a comprehensive basis of accounting other than generally accepted accounting principles.

As discussed in Note 3, pursuant to the Welfare Reform Act of 1971, Los Angeles County is required to support the expansion of child care services by maintaining its fiscal year 1970-71 expenditures level of \$170,019. We determined that Los Angeles County did meet this requirement.

As explained in Note 4, we have not audited DCFS' claimed other related child care costs and administrative costs. Therefore, we do not express an opinion on the claimed other related child care costs and administrative costs.

In our opinion, except for DCFS' claimed other related child care costs and administrative costs as noted above, based on our audit and the reports of other auditors, the statements referred to above present fairly, in all material respects the allowable child care expenditures of DCFS' child care programs Contract Numbers GAPP 9031 and FAPP 9029 as of and for the year ended June 30, 2000 on the basis of accounting described in Note 1.

This report is intended solely for filing with regulatory agencies and is not intended for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



Los Angeles, California  
January 22, 2001

**COUNTY OF LOS ANGELES**  
**DEPARTMENT OF CHILDREN AND FAMILY SERVICES**

CHILD DEVELOPMENT PROGRAM PROJECT NO. 19-Y196-00-03186-9

CONTRACT NO. GAPP 9031

STATEMENT OF CLAIM  
For the Year Ended June 30, 2000

**Program Expenditures**

Direct Payments to Child Care Providers (Note 2)	\$ 1,235,060
Direct Payments to Meet Maintenance of Effort Requirement (Note 3)	170,019
Other Related Child Care Costs (Note 4)	229,084
Administrative Costs (Note 4)	<u>20,742</u>
Total Expenditures	<u>1,654,905</u>

**Program Funds Received**

Advances Received From State	1,446,504
Funds Used to Satisfy Maintenance of Effort Requirement (Note 3)	<u>170,019</u>
Total Funds Received	<u>1,616,523</u>
Total Program Funds Due From State	\$ <u><u>38,382</u></u>

*The accompanying notes are an integral part of these statements.*

Agency Name: County of Los Angeles -  
Department of Children and Family Services  
Vendor Number: 19-Y196-00-03186-9  
Program Name: Alternative Payment Program  
Contract Number: GAPP 9031  
Worksheet Type: Alternative Payment

California Department of Education  
Audits and Investigations Division  
Audited Final Reimbursement Calculation  
Fiscal Year Ended June 30, 2000

1. Total Costs (includes Start-Up)	\$1,654,905
2. Restricted Income:	
a. Child Care Food Program	\$0
b. State Meal Allowance	\$0
c. Transfers from Alternative Payment Reserve Account	\$0
d. Other (Specify)	\$0
e. Other (Specify)	\$0
Total Restricted Income	\$0
3. Non-Reimbursable Costs:	
a. Capital Outlay	\$0
b. Migrant Specialized Services Supplement	\$0
c. Questioned Costs (Specify)	\$0
d. Depreciation	\$0
e. Costs in Line 1 Paid From Funds Not Listed in Line 2 (Specify)	\$0
f. Payment to Meet Maintenance of Effort Requirement	\$170,019
g. Other (Specify)	\$0
Total Non-Reimbursable Costs	\$170,019
4. Net Costs (Line 1 - Line 2 - Line 3)	\$1,484,886
5. Administrative Costs:	
a. Actual Costs	\$20,742
b. Maximum Allowable (Line 4 * 15%)	\$222,733
c. Excess Administrative Costs (Line 5a - Line 5b; if < 0, then 0)	\$0
6. Adjusted Net Reimbursable Costs (Line 4 - Line 5c)	\$1,484,886
7. Days of Operation Adjustment Factor:	
a. Actual Days of Operation	252
b. Minimum Days of Operation Per Contract	250
c. Actual Days of Operation Percentage (Line 10a / Line 10b)	100.80%
d. Two Percent Flexibility if Line 10c = 98% or more, Maximum = 100%	100.00%
8. Start-Up Costs:	
a. Actual Costs	\$0
b. Maximum Start-Up Per Contract	\$0
c. Allowable Start-Up Costs (Lesser of Line 8a or 8b)	\$0
9. Total Adjusted Maximum Reimbursable Amount (MRA):	
a. MRA per Contract	\$1,807,271
b. Operational MRA (Line 9a - Line 8c)	\$1,807,271
c. Operational MRA Adjusted for Days of Operation (Line 9b * Line 7d; if "Respite Care" program, use Line 9b)	\$1,807,271
d. Total Adjusted MRA (Line 9c + Line 8c)	\$1,807,271
10. Support Service Earnings	
a. Provider Payments	\$1,235,060
b. Actual Administration and Support Services (Line 4 - Line 10a - Line 8c)	\$249,826
c. Maximum Non-Provider Percent Allowed	25.00%
d. Maximum Administrative and Support Services Earned (Lesser of Line 10b or (Line 6 * Line 10c))	\$249,826
e. Support Service Earnings (Line 10a + Line 8c + Line 10d)	\$1,484,886
11. Reimbursable Costs (Lesser of Line 6 or 10e)	\$1,484,886
12. Parent Fees and Interest	
a. Parent Fees	\$0
b. Interest	\$0

*The accompanying notes are an integral part of these statements.*

Agency Name: County of Los Angeles -  
 Department of Children and Family Services  
 Vendor Number: 19-Y196-00-03186-9  
 Program Name: Alternative Payment Program  
 Contract Number: GAPP 9031  
 Worksheet Type: Alternative Payment

California Department of Education  
 Audits and Investigations Division  
 Audited Final Reimbursement Calculation  
 Fiscal Year Ended June 30, 2000

c. Total Parent Fees and Interest (Line 12a + Line 12b)	\$0
13. Fiscal Year Earnings (Line 11 - Line 12c)	\$1,484,886
14. Fiscal Year Reimbursable Earnings (Lesser of Line 13 or Line 9d)	\$1,484,886
15. Transfer to Child Development Reserve (from worksheet apreserve2)	\$0
16. Apportionments to Date	\$1,446,504
17. Balance Due Agency from the State [(Line 14 + Line 15) - Line 16]	\$38,382
18. Balance Owed to the State:	
a. Total Owed to the State [Line 16 - (Line 14 + Line 15)]	\$0
b. Apportionment Above Adjusted MRA (Line 16 - Line 9d)	\$0
c. Unearned Reimbursement (Line 18a - Line 18b)	\$0
d. Interest Billing (Lesser of Line 12b or Line 18c)	\$0
e. Contract Billing (Line 18a - Line 18d)	\$0

*The accompanying notes are an integral part of these statements.*

**COUNTY OF LOS ANGELES**  
**DEPARTMENT OF CHILDREN AND FAMILY SERVICES**

CHILD DEVELOPMENT PROGRAM PROJECT NO. 19-Y196-00-03694-9

CONTRACT NO. FAPP 9029

STATEMENT OF CLAIM  
For the Year Ended June 30, 2000

**Program Expenditures**

Direct Payments to Child Care Providers (Notes 2 & 6)	\$ 6,870,108
Other Related Child Care Costs (Note 4)	1,420,030
Administrative Costs (Note 4)	<u>334,397</u>
 Total Expenditures	 <u>8,624,535</u>

**Program Funds Received**

Advances Received From State	9,051,429
Parent Fee	3,424
Interest	<u>873</u>
 Total Funds Received	 <u>9,055,726</u>

Total Program Funds Due State	\$ <u><u>431,191</u></u>
-------------------------------	--------------------------

*The accompanying notes are an integral part of these statements.*

Agency Name: County of Los Angeles -  
Department of Children and Family Services  
Vendor Number: 19-Y196-00-03694-9  
Program Name: Alternative Payment Program  
Contract Number: FAPP 9029  
Worksheet Type: Alternative Payment

California Department of Education  
Audits and Investigations Division  
Audited Final Reimbursement Calculation  
Fiscal Year Ended June 30, 2000

1. Total Costs (includes Start-Up)	\$8,624,535
2. Restricted Income:	
a. Child Care Food Program	\$0
b. State Meal Allowance	\$0
c. Transfers from Alternative Payment Reserve Account	\$0
d. Other (Specify)	\$0
e. Other (Specify)	\$0
Total Restricted Income	\$0
3. Non-Reimbursable Costs:	
a. Capital Outlay	\$0
b. Migrant Specialized Services Supplement	\$0
c. Questioned Costs (Specify)	\$0
d. Depreciation	\$0
e. Costs in Line 1 Paid From Funds Not Listed in Line 2 (Specify)	\$0
f. Other (Specify)	\$0
g. Other (Specify)	\$0
Total Non-Reimbursable Costs	\$0
4. Net Costs (Line 1 - Line 2 - Line 3)	\$8,624,535
5. Administrative Costs:	
a. Actual Costs	\$334,397
b. Maximum Allowable (Line 4 * 15%)	\$1,293,680
c. Excess Administrative Costs (Line 5a - Line 5b; if < 0, then 0)	\$0
6. Adjusted Net Reimbursable Costs (Line 4 - Line 5c)	\$8,624,535
7. Days of Operation Adjustment Factor:	
a. Actual Days of Operation	252
b. Minimum Days of Operation Per Contract	250
c. Actual Days of Operation Percentage (Line 10a / Line 10b)	100.80%
d. Two Percent Flexibility if Line 10c = 98% or more, Maximum = 100%	100.00%
8. Start-Up Costs:	
a. Actual Costs	\$0
b. Maximum Start-Up Per Contract	\$0
c. Allowable Start-Up Costs (Lesser of Line 8a or 8b)	\$0
9. Total Adjusted Maximum Reimbursable Amount (MRA):	
a. MRA per Contract	\$11,780,683
b. Operational MRA (Line 9a - Line 8c)	\$11,780,683
c. Operational MRA Adjusted for Days of Operation (Line 9b * Line 7d; if "Respite Care" program, use Line 9b)	\$11,780,683
d. Total Adjusted MRA (Line 9c + Line 8c)	\$11,780,683
10. Support Service Earnings	
a. Provider Payments	\$6,870,108
b. Actual Administration and Support Services (Line 4 - Line 10a - Line 8c)	\$1,754,427
c. Maximum Non-Provider Percent Allowed	25.00%
d. Maximum Administrative and Support Services Earned (Lesser of Line 10b or (Line 6 * Line 10c))	\$1,754,427
e. Support Service Earnings (Line 10a + Line 8c + Line 10d)	\$8,624,535
11. Reimbursable Costs (Lesser of Line 6 or 10e)	\$8,624,535
12. Parent Fees and Interest	
a. Parent Fees	\$3,424
b. Interest	\$873

*The accompanying notes are an integral part of these statements.*

Agency Name: County of Los Angeles -  
 Department of Children and Family Services  
 Vendor Number: 19-Y196-00-03694-9  
 Program Name: Alternative Payment Program  
 Contract Number: FAPP 9029  
 Worksheet Type: Alternative Payment

California Department of Education  
 Audits and Investigations Division  
 Audited Final Reimbursement Calculation  
 Fiscal Year Ended June 30, 2000

c. Total Parent Fees and Interest (Line 12a + Line 12b)	\$4,297
13. Fiscal Year Earnings (Line 11 - Line 12c)	\$8,620,238
14. Fiscal Year Reimbursable Earnings (Lesser of Line 13 or Line 9d)	\$8,620,238
15. Transfer to Child Development Reserve (from worksheet apreserve2)	\$0
16. Apportionments to Date	\$9,051,429
17. Balance Due Agency from the State [(Line 14 + Line 15) - Line 16]	\$0
18. Balance Owed to the State:	
a. Total Owed to the State [Line 16 - (Line 14 + Line 15)]	\$431,191
b. Apportionment Above Adjusted MRA (Line 16 - Line 9d)	\$0
c. Unearned Reimbursement (Line 18a - Line 18b)	\$431,191
d. Interest Billing (Lesser of Line 12b or Line 18c)	\$873
e. Contract Billing (Line 18a - Line 18d)	\$430,318

*The accompanying notes are an integral part of these statements.*

**COUNTY OF LOS ANGELES  
DEPARTMENT OF CHILDREN AND FAMILY SERVICES**

**NOTES TO STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Pursuant to Chapter 324, Item 6100-196-001, of the State Budget Act of 1983, the California Department of Education (CDE) made funds available to Los Angeles County to provide child day care services for families qualifying under the State's Child Development Guidelines. The maximum reimbursable amount (MRA) in the Standard Agreement between CDE and the County of Los Angeles for the fiscal year 1999/00 is \$1,807,271 for Project No. 19-Y196-00-03186-9 and \$11,780,683 for Project No. 19-Y196-00-03694-9. DCFS uses CDE funds in the Children's Protective Services Program. The Children's Protective Services Program provides child care services to children who are subject to abuse, neglect or exploitation.

During the fiscal year 1999/00, a net total of \$1,405,079 for Project No. 19-Y196-00-03186-9, and \$6,870,108 for Project No. 19-Y196-00-03694-9, in direct provider payments were made by DCFS. The child care services were provided by individual child care providers or by private day care centers. (Also see Note 6.)

**Basis of Accounting**

The accompanying statements were prepared in conformity with accounting procedures prescribed by the California Department of Education (CDE). These procedures require that transactions be recorded on a cash basis. Generally accepted accounting principles require an accrual basis of accounting by which revenues are recognized in the accounting period in which they are earned and become measurable, and expenses are recognized in the accounting period incurred, if measurable. Accordingly, the accompanying statements are not intended to be in conformity with generally accepted accounting principles.

**NOTE 2 - DIRECT PAYMENTS TO CHILD CARE PROVIDERS**

Direct provider payments are reported in the contract year the services are authorized and provided, in accordance with CDE's "Funding Terms and Conditions for Child Development Programs."

Direct provider payments to eligible families/child care providers represent vendor payments made to individual providers and private day care centers for child care services. Under the child care payment system, invoices can be submitted by child care providers up to 60 days from the original due date. The amount of outstanding invoices was not determinable at the close of the audit.

**COUNTY OF LOS ANGELES**  
**DEPARTMENT OF CHILDREN AND FAMILY SERVICES**

**NOTES TO STATEMENTS**

**NOTE 2 - DIRECT PAYMENTS TO CHILD CARE PROVIDERS (continued)**

**Project No. 19-Y196-00-03186-9**

On June 30, 2000, "Fiscal Report For Alternative Payment or Family Child Care Home Programs" (i.e., the claim) for Project No. 19-Y196-00-03186-9 (State Funded Project), DCFS reported direct provider payments of \$1,405,079. However, included in this amount was \$170,019 related to payments made by the County of Los Angeles, Department of Children and Family Services (DCFS) to meet its Maintenance of Effort (MOE). Therefore, direct provider payments are \$1,235,060 (\$1,405,079 less \$170,019), which did not exceed the MRA of \$1,807,271.

**Project No. 19-Y196-00-03694-9**

On June 30, 2000, "Fiscal Report for CCD Block Grant AP Programs" for Project No. 19-Y196-00-03694-9 (Federal Funded Project), DCFS reported direct provider payments of \$6,870,108. The Maximum Reimbursable Amount (MRA) for the project is \$11,780,683; therefore, the direct provider payments did not exceed the MRA.

**NOTE 3 - MAINTENANCE OF EFFORT**

Pursuant to the Welfare Reform Act of 1971, Los Angeles County's "Maintenance of Effort" (MOE) amount is \$170,019. During our audit, we verified that DCFS satisfied its MOE requirement.

**NOTE 4 - ADMINISTRATIVE AND OTHER RELATED CHILD CARE COSTS**

Other Related Child Care Costs (ORCCC) consist of the costs of providing direct services which include the position responsible for recruitment, site inspection, license verification, eligibility determination, review and supervision of placement and the costs related to these positions.

The California Department of Social Services (CDSS) audits DCFS' administrative costs and ORCCC. As of the close of our audit, the State had not audited the fiscal year 1999/2000 costs. Our examination of the claimed DCFS' administrative costs and ORCCC was limited to a verification of the cost allocation percentages which were used as a basis for determining DCFS' administrative costs and ORCCC allocable to the Child Care Program for each quarter. Because the total DCFS' administrative costs and ORCCC are unaudited, we do not express an opinion on them.

**COUNTY OF LOS ANGELES  
DEPARTMENT OF CHILDREN AND FAMILY SERVICES**

**NOTES TO STATEMENTS**

**NOTE 4 – ADMINISTRATIVE AND OTHER RELATED CHILD CARE COSTS**  
**(continued)**

**Project-19-Y196-00-03186-9**

The Audit Guide indicates that DCFS' administrative costs and ORCCC should not exceed \$413,726, 25% of the net reimbursable cost of \$1,654,905, or actual administrative costs and ORCCC, whichever is less. For Project No. 19-Y196-00-03186-9, DCFS incurred a total of \$249,826 in administrative costs and ORCCC associated with the Child Care Program. Therefore, DCFS can claim as much as \$249,826.

Furthermore, the Audit Guide indicates that administrative costs alone should not exceed \$248,236, 15% of the net reimbursable cost of 1,654,905, or actual administrative costs, whichever is less. For Project No. 19-Y196-00-03186-9, DCFS incurred a total of \$20,742 in administrative costs associated with the Child Care Program. DCFS also incurred \$4,681 in audit fees for the performance of the fiscal year 1999/00 program audit. We have included these costs within the total administrative costs shown in the fiscal year 1999/00 statements. Therefore, DCFS can claim as much as \$20,742 for administrative costs.

**Project No. 19-Y196-00-03694-9**

The Audit Guide indicates that DCFS' administrative costs and ORCCC should not exceed \$2,156,134, 25% of the net reimbursable cost of \$8,624,535, or actual administrative costs and ORCCC, whichever is less. For Project No. 19-Y196-00-03694-9, DCFS incurred a total of \$1,754,427 in administrative costs and ORCCC associated with the Child Care Program. Therefore, DCFS can claim as much as \$1,754,427.

Furthermore, the Audit Guide indicates that administrative costs alone should not exceed \$1,293,680, 15% of the net reimbursable cost of \$8,624,535, or actual administrative costs, whichever is less. For Project No. 19-Y196-00-03694-9, DCFS incurred a total of \$334,397 in administrative costs associated with the Child Care Program. DCFS also incurred \$15,670 in audit fees for the performance of the fiscal year 1999/00 program audit. We have included these costs within the total administrative costs shown in the fiscal year 1999/00 statements. Therefore, DCFS can claim as much as \$334,397 for administrative costs.

*COUNTY OF LOS ANGELES  
DEPARTMENT OF CHILDREN AND FAMILY SERVICES*

NOTES TO STATEMENTS

**NOTE 5 - DAYS OF OPERATION ADJUSTMENT FACTOR**

The Days of Operation Adjustment Factor was computed by dividing the Actual Days of Operation (ADO) by the Minimum Days of Operation (MDO) per the Audit Guide. The Audit Guide states that if the Operation Adjustment Factor is 98% or more, 100% is used.

**NOTE 6 - OPERATIONAL MRA ADJUSTED FOR DAYS OF OPERATION**

The Operational MRA Adjusted for Days of Operation was computed by multiplying the Operational MRA by the Days of Operation Adjustment Factor (i.e., 100%) as specified in the Audit Guide.

**Contract Number FAPP 8026**

For purposes of the Statement of Claim and Final Reimbursement Calculation noted at pages 9 to 11, the expenditures were taken from the following subrecipients' audited fiscal reports.

Child Care Information Service	\$ 120,545
Child Care Resource Center	725,920
Child & Family Services	256,520
Children's Home Society	356,559
Connections for Children	153,536
Crystal Stairs, Inc.	1,318,296
Equipoise, Inc.	349,394
Mexican American Foundation	218,310
Options	263,659
Pomona Unified School District	253,938
International Institute	<u>48,931</u>
Total	\$ <u><u>4,065,608</u></u>

The expenditures noted above which represent 47% of the total expenditures of Contract Number FAPP 9029, were audited by other auditors whose reports has been furnished to us, and our opinion, insofar as it relates to the amounts included for Contract Number FAPP 9029, is based solely on the reports of the other auditors.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE**

Ms. Anita Bock, Director  
Department of Children and Family Services  
425 Shatto Place  
Los Angeles, CA 90020

We have audited the accompanying Statements of Claim and Final Reimbursement Calculation of the County of Los Angeles, Department of Children and Family Services (DCFS), Contract Numbers GAPP 9031 and FAPP 9029 as of and for the year ended June 30, 2000 and have issued our report thereon dated January 22, 2001.

We conducted our audit in accordance with generally accepted auditing standards, and procedures set forth in the "Audit Guide for Auditors of Child Development Programs Administered by County Welfare Departments," issued by the California Department of Education (CDE). Those standards require that we plan and perform the audit to obtain a reasonable assurance about whether the statements are free of material misstatements.

In planning and performing our audit of DCFS' statements referred to above for the child care program, Contract Numbers GAPP 9031 and FAPP 9029 as of and for the year ended June 30, 2000, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the statements and not to provide assurance on the internal control structure.

The management of DCFS is responsible for establishing and maintaining the internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.



For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

Accounting Controls

- Cash Receipts/Revenue
- Cash Disbursements/Expenditures

Administrative Controls

- Day Care Authorization
- Payment Procedures

For all of the internal control categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

Our consideration of each internal control structure would not necessarily disclose all matters in the internal control structure that might be a material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving each internal control structure and operations that we consider to be material weaknesses defined above.

This report is intended solely for the information and use of the County Board of Supervisors, the Audit Committee, CDE, the management of DCFS and others within DCFS. The restriction is not intended to limit the distribution of this report, which is a matter of public record.

Two handwritten signatures in black ink, likely representing the auditors, positioned side-by-side.

Los Angeles, California  
January 22, 2001

**INDEPENDENT AUDITOR'S REPORT ON**  
**COMPLIANCE WITH LAWS AND REGULATIONS**

Ms. Anita Bock  
Department of Children and Family Services  
425 Shatto Place  
Los Angeles, CA 90020

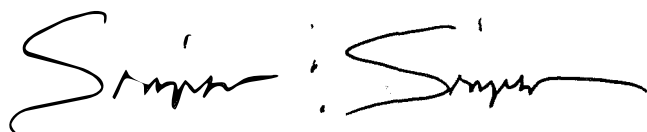
We have audited the accompanying Statements of Claims and Final Reimbursement Calculation of the County of Los Angeles, Department of Children and Family Services (DCFS), Contract Numbers GAPP 9031 and FAPP 9029 as of and for the year ended June 30, 2000, and have issued our report thereon January 22, 2001.

We conducted our audit in accordance with generally accepted auditing standards and procedures set forth in the "Audit Guide for Auditors of Child Development Programs Administered by County Welfare Departments," issued by the California Department of Education (CDE). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the program statements are free of material misstatement.

Compliance with laws, regulations, contracts and grants applicable to DCFS is the responsibility of DCFS' management. As part of obtaining reasonable assurance about whether the program statements are free of material misstatement, we performed tests of DCFS' compliance with certain provisions of laws, regulations, contracts and grants. However, the objective was not to provide an opinion on the overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests indicate that, with respect to the items tested, DCFS complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to the items not tested, nothing came to our attention that caused us to believe that DCFS had not complied, in all material respects, with those provisions.

This report is intended solely for the information and use of the County Board of Supervisors, the Audit Committee, CDE, the management of DCFS and others within DCFS. The restriction is not intended to limit the distribution of this report, which is a matter of public record.



Los Angeles, California  
January 22, 2001